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SIPDIS

DEPT FOR EUR/SCE JISMAIL, TREASURY FOR VIMAL ATUKORALA
SOFIA FOR P.ROBERTS

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TAGS: [EFIN](#) [ECON](#) [KCRM](#) [PREL](#) [AL](#)
SUBJECT: ALBANIA'S INSURANCE PRIVATIZATION MAY HIT A SNAG

REF: 08 TIRANA 892

Classified By: POLECON Chief Paul Poletes, reasons 1.4 (b), (d)

¶1. (C) Dallas-based American Reserve Life Insurance Company (ARLI) is negotiating with the Ministry of Finance to conclude its purchase of state-owned insurance company INSIG.

ARLI won the tender for 61% of INSIG On December 9 (reftel). EBRD, which owns 19% of INSIG's shares, was not initially aware of ARLI's ownership structure, nor of allegations that the Phillips family, which owns ARLI and several other asset management and investment businesses, have been linked to Bulgarian organized crime groups (please see reftel and classified Intellipedia article [http://www.intelink.sgov.gov/wiki/Albanian Insurance Company](http://www.intelink.sgov.gov/wiki/Albanian_Insurance_Company) INSIG Sold To American Reserve Life Insurance; note: please insert underscore in place of spaces between words.)

¶2. (C) EBRD Country Director Dan Berg told econoff on January 22 that he had been authorized by EBRD headquarters to exercise their put option for EBRD's stake in INSIG. Berg said he is writing a letter to Finance Minister Bode in which he will express EBRD's concerns about having ARLI as a partner and suggest that EBRD may have to sell its shares back to the GOA if a contract is concluded with ARLI.

¶3. (C) Bradford Phillips, CEO of ARLI, on January 21 told econoff that he came to Albania to look at INSIG assets and begin negotiations with the MOF. He said this was ARLI's first international acquisition, which he heard about through associates in other family businesses such as CableTel, the largest Bulgarian cable operator. He believes Albania's insurance sector represents good opportunities as Albania moves toward EU accession.

¶4. (C) COMMENT: The GOA finds itself in a lose-lose situation: if ARLI backs out, the GOA loses \$25 million; if EBRD backs out, it loses about \$9 million. Either loss could bring additional financial pressure on the GOA. As for ARLI's interest in INSIG, it is possible they genuinely want to compete in the insurance market, which is very undeveloped compared to neighboring countries. However, we note that INSIG has substantial real estate holdings, many in prime tourist areas, and has capital reserves well above what Albanian law requires. We also find it interesting that ARLI's lawyer is Illirian Celibashi, brother-in-law of former Defense Minister Fatmir Mediu, who has traveled to Dallas several times for undisclosed reasons.

WITHERS